MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2018 / 2019 SESSION

DEC5028 – MACROECONOMICS

(Diploma Students Only)

27 OCTOBER 2018
9.00 a.m – 11.00 a.m
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of **11** pages with 2 sections only.
2. Attempt all questions in Section A and B.
3. Answers for section A should be shaded on the OMR sheet provided.
4. For section B, please write your answers in the answer booklet provided.

SECTION A: MULTIPLE CHOICE QUESTIONS

Each question consists of 1 mark. Answers for this section should be shaded on the OMR sheet provided.

1. Which of the following is a topic learned in Macroeconomics?

A. Unemployment rate in Singapore.
B. The wage of Infinion.Inc worker.
C. The price of Dell computers.
D. The amount of ice cream produced.

2. The fact that wants cannot be fully satisfied with available resources reflects the definition of _____.

A. scarcity.
B. the small tradeoff.
C. the big tradeoff.
D. for whom to produces.

3. The major lesson of the circular flow diagram is that _____.

A. total income in the economy must always equal total spending.
B. taxes must always be greater than government expenditures.
C. saving must always be less than investment.
D. tax receipts must be equal to transfer payments.

4. An increase in overall price level is known as _____.

A. deflation.
B. recession.
C. stagflation.
D. inflation.

5. If no foreign companies produce in Malaysia, but many of the Malaysia's companies produce abroad, then _____.

A. the country's GNP and GDP will tend to be equal.
B. the country's GDP will tends to be equal to its national income.
C. the country's GNP will tend to be higher than its GDP.
D. the country's GDP will tend to be equal to its domestic income.

6. The total market values of all finals goods and services produced within a given period by factors of production located within a country is _____.

A. gross national product.
B. gross domestic product.
C. net personal income.
D. net national income.

Continued...

7. According to income approach, which of the following is **NOT** one of the components for calculating GDP?

A. Net interest
B. Corporate profits
C. Compensation of employees
D. Consumption

8. In expenditure approach, GDP equals to _____.

A. C + S + G + (X - M)
B. C + I + G + (X - M)
C. C + I + G + (X + M)
D. C + S + G + (X - M)

9. In a closed economy with no government, aggregate expenditure (AE) is equal to _____.

A. consumption plus investment.
B. saving plus investment.
C. consumption plus export.
D. government plus investment.

10. Which of the following is a good or services counted in GDP?

A. A new tire you buy for your car.
B. A used car radio buy for your car.
C. Apples bought by juice stall to make apple juice.
D. Used tires bought by a used car dealer to put on a car on his lot.

11. The MPC is _____.

A. the change in saving divided by the change in income.
B. consumption divided by income.
C. the change in consumption divided by the change in saving.
D. the change in consumption divided by the change in income.

12. The aggregate consumption function is C = 1,000 + 0.9Yd. If income is RM4,900 and net taxes are RM1900, consumption equals _____.

A. RM5,000.
B. RM2,750.
C. RM3,500.
D. RM3,700.

Continued...

13. If you save RM300 when you experience a RM600 rise in your income, _____.

A. your MPC is 0.95.
B. your MPC is 0.40.
C. your MPS is 0.50.
D. your MPS is 0.05.

14. Fiscal policy refers to _____.

A. the spending and taxing policies used by the government to influence the economy.
B. the behavior of Bank Negara Malaysia, regarding the nation's money supply.
C. the techniques used by a firm to reduce its tax liability.
D. the government's ability to regulate a firm's behavior in the stock markets.

15. Which of the following is **INCORRECT** regarding tax revenues?

A. It increases during economic downturn.
B. It increases when there is an increase in tax rate.
C. It is one of the major revenue source in the government's budget.
D. It increases during economic expansions.

16. The government purchases multiplier is _____.

A. the difference between the old equilibrium level of output and the new equilibrium level of output.
B. the ratio of the change in government purchases to the change in the equilibrium level of output.
C. the ratio of the change in the equilibrium level of output to a change in government purchases.
D. the difference between the new and old levels of government purchases.

17. By using fiscal policy, to increase real GDP and employment a nation could_____ government expenditure on goods and services or _____ taxes rate.

A. increase; increase
B. increase; decrease
C. decrease; increase
D. decrease; decrease

18. **M1** is a measure of _____.

A. money and includes both currency and checking deposits.
B. liquidity and in which the most liquid asset is money.
C. money and includes both savings deposits and currency.
D. money and includes both savings deposits and money market mutual funds.

Continued...

19. Which of the following factors causes the barter system to be inefficient?

A. Its cost of transaction is too low.
B. Always too easy for people to know what is the best deal in barter system.
C. It requires a double coincidence of wants.
D. It requires high liquidity.

20.

Assets		Liabilities	
Reserves	$30	Deposits	$1,000
Loans	$970		
Total	$1,000	Total	$1,000

Table 1

Table 1 gives the initial balance sheet for LHH Bank at United State of America. LHH Bank's desired reserves equal its required reserves. Based on the initial balance sheet, what is the required reserve ratio for LHH Bank?

A. 30 percent
B. 3 percent
C. 7 percent
D. 4.5 percent

21. In term of "means of payment", the functions of money are _____.

A. medium of exchange and the ability to buy goods and services.
B. medium of exchange, unit of account, and means of lending.
C. medium of exchange, unit of account, and store of value.
D. pricing, contracts, and store of value.

22. Which of the following activities is one of the responsibilities of the Bank Negara Malaysia (**BNM**)?

A. Assisting banks by provide loans or advices that are in a difficult financial position.
B. Loaning money to other countries that are friendly to Malaysia.
C. Issuing new bonds to finance the federal budget deficit.
D. Performing commercial banking services to public.

23. The long-run aggregate supply (**LAS**) curve _____.

A. is elastic.
B. is inelastic.
C. is vertical.
D. is horizontal.

Continued...

24. In Macroeconomics study, GDP in long run always _____.

A. below potential GDP.
B. full employment with no unemployment.
C. above potential GDP.
D. in full employment and real GDP is equal to potential GDP.

25. The quantity of real GDP supplied depends on the _____.

A. unemployment rate.
B. price level and the quantity of government expenditures on goods and services.
C. quantity of capital, bonds, and stocks.
D. quantity of labor, the quantity of capital, and the state of technology.

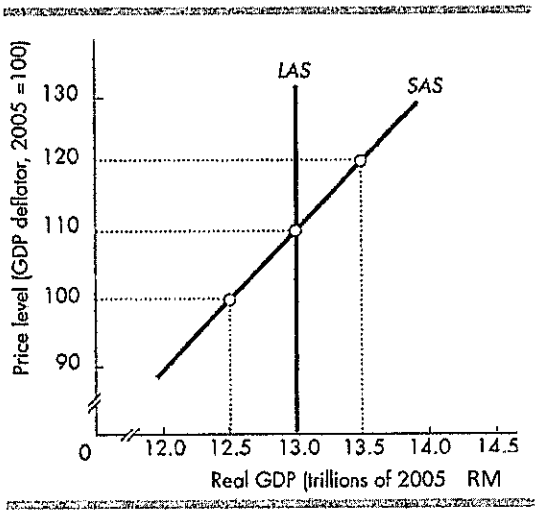

Figure 1

26. Based on Figure 1, the economy will be at full employment if the price level _____.

A. is 130.
B. is above 110.
C. is below 110.
D. is 110.

27. The short-run aggregate supply curve shifts leftward when the _____.

A. price level increases.
B. general level of technology advances.
C. money wage rate increases.
D. availability of on-the-job training expands to all workers.

Continued...

28. Inflation can be started by _____.

A. a decrease in aggregate supply or a decrease in aggregate demand.
B. a decrease in aggregate supply or an increase in aggregate demand.
C. an increase in aggregate supply or an increase in aggregate demand.
D. an increase in aggregate supply or a decrease in aggregate demand.

29. Suppose the latest wage rate in the labor market is RM1,200 and the demand for labor decreases. If wages are sticky, _____.

A. unemployment decreases.
B. unemployment stays the same.
C. unemployment increases
D. unemployment unchanged.

30. The type of unemployment that arises during recessions is known as _____.

A. active unemployment.
B. frictional unemployment.
C. structural unemployment.
D. cyclical unemployment.

31. Phillips curves describe the relationship between _____.

A. aggregate supply and aggregate demand.
B. money supply and interest rates.
C. unemployment and inflation.
D. inflation rate and the price level.

32. The unemployment rate is calculated as _____.

A. [(labor force) ÷ (population)] × 100.
B. [(unemployment) ÷ (labor force)] × 100.
C. [(unemployment) ÷ (population)] × 100.
D. [(labor force) ÷ (unemployment)] × 100.

33. If real GDP is RM1200 million and aggregate labor hours are 50 million, labor productivity is _____.

A. RM24 per hour
B. RM60,000 million
C. RM240 million
D. RM60 per hour

Continued...

34. Economic growth can be best defined as _____.

A. a long term increase in price level.
B. a sustained expansion of production possibilities measured as the increase in real GDP.
C. a sustained expansion of consumption goods over a given period.
D. a sustained expansion of import over a given period.

35. Assume Cambodia's current growth rate of real GDP per person is 2 percent a year. Approximately how long will it take to double real GDP per person?

A. 3.5 years
B. 35 years
C. 70 years
D. 90 years

36. According to the law of diminishing returns, an additional unit of _____.

A. labor decreases the quality of output produced.
B. capital produces more output than an additional unit of labor.
C. labor produces less output than the previous unit.
D. labor produces more output than the previous unit.

37. Suppose that a pound buys 160 yen. If a cellphone sells for 280,000 yen in Japan, the price of the cellphone in pound is _____.

A. £1,890.00
B. £1,500.00
C. £2,200.00
D. £1,750.00

38. The theory of international exchange which holds that exchange rates are set so that the price of similar goods in different countries is the same is the _____.

A. purchasing power parity theory.
B. price feedback theory.
C. trade feedback theory.
D. philips-curve theory.

39. If 1000 South Korean won buy more Malaysia Ringgits today than yesterday, the Ringgit has _____ and the Won has _____.

A. depreciated; appreciated
B. appreciated; depreciated
C. depreciated; depreciated
D. appreciated; appreciated

Continued...

40. What would be the effect on Malaysia imports and exports when Malaysia experiences strong economic growth but its major trading partners experience sluggish economic growth?

A. Malaysia import will increase more than Malaysia export
B. Malaysia export will increase more than Malaysia import
C. Malaysia import will decrease, but Malaysia export will increase
D. There will be no effect on Malaysia import and export

[TOTAL 40 MARKS]

Continued...

SECTION B: STRUCTURED QUESTIONS

Answers for this section should be written in the answer booklet provided.

QUESTION 1

a) Distinguish between goods and services market and labor market. (4 marks)

b) What is the difference between fiscal policy and monetary policy? (4 marks)

(Total: 6 marks)

QUESTION 2

Items	RM (million)
Corporate Profit	150
BR1M allowance	26
Retained earnings	25
Compensation of employee	180
Proprietor's income	200
Rental income	75
Pension fund	11
Personal income tax	17
Corporate tax	15
Net interest	50
Net foreign factor income	12
Transfer payment	10
Statistical discrepancy	5
Depreciation	36

Table 1

a) By using the data in Table 1, calculate

i. The Gross Domestic Product (GDP) by using income approach. (5 marks)

ii. Personal income (4 marks)

iii. Disposable income (2 marks)

Continued...

b) An economy produces three goods: burgers, smartphones, and bikes. Suppose the quantities produced and their corresponding prices for 2012 and 2017 are shown in Table 2. Assume that 2012 is the base year.

Product	2012		2017	
	Quantity	Price (RM)	Quantity	Price (RM)
Burger	100	10	120	12
Smartphone	50	15	45	20
Bike	200	40	210	45

Table 2

i. Calculate Nominal GDP for 2012 (4 marks)

ii. Calculate Nominal GDP for 2017 (4 marks)

(Total: 19 marks)

QUESTION 3

a) There are **THREE (3)** factors which limit the quantity of deposit created by banks. List it. (3 marks)

b) Explain **TWO (2)** structure in banking system. (4 marks)

c) Explain **THREE (3)** main determinants of aggregate demand. (8 marks)

i. Expectation

ii. Fiscal policy and monetary policy

iii. The world economy

(Total: 15 marks)

Continued...

QUESTION 4

a) Explain **THREE (3)** types of unemployment with an example for each. (9 marks)

Item	Amount
Under age of 16	93 million people
Working age population	230 million people
Employment	138 million people
Labor Force	160 million people

Table 3

b) Based on the information from Table 3, compute:

i. Unemployment rate (3 marks)

ii. Labor force participation rate (2 marks)

iii. Total number of people not in labor force (2 marks)

iv. Overall population for the country (2 marks)

(Total: 18 marks)

[TOTAL 60 MARKS]

End of Page.